

# IRS Fact Sheet

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## 2004 IRS e-file

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More and more Americans are choosing e-file, which lets them easily file an accurate tax return or get an extension of time to file without sending any paper to the Internal Revenue Service.

Almost 53 million Americans chose IRS e-file options in 2003 — 13 percent more than the year before. The IRS expects millions more to e-file in 2004, as more and more taxpayers who file through a computer or a telephone look for these benefits:

- **Faster refunds:** Direct Deposit can speed refunds to e-filers in about two weeks — or even less.
- **More accurate returns:** IRS computers quickly and automatically check for errors or other missing information, making e-filed returns more accurate and reducing the chance of getting an error letter from the IRS.
- **Quick electronic confirmation:** Computer e-filers receive an acknowledgment that the IRS has received their returns. Callers using TeleFile receive a confirmation number while they're still on the phone, letting them know that the TeleFile system has accepted their return.
- **Delete the paperwork through electronic signatures:** Taxpayers can create their own Personal Identification Number (PIN) and file a completely paperless return using their tax preparation software or tax professional. There is nothing to mail to the IRS.
- **Easy payment options:** E-filers with a balance due can schedule a safe and convenient electronic funds withdrawal from their bank account, or pay with a credit card.
- **Federal/State e-filing:** Taxpayers in 37 states and the District of Columbia can e-file their federal and state tax returns in one transmission to the IRS. The IRS forwards the state data to the appropriate state tax agency. In 2003, more than 22.7 million taxpayers filed federal-state electronic returns in Alabama, Arizona, Arkansas, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Utah, Vermont, Virginia, West Virginia, Wisconsin and the District of Columbia.

## **e-file Options**

### **Free Internet Filing**

For the 2004 filing season, at least 60 percent (78 million) of individual taxpayers will be eligible for IRS Free File. Tax software companies and the federal government are teaming up to offer free online tax preparation and electronic filing services to eligible taxpayers. Free services are accessible through IRS.gov. Eligibility requirements will be on IRS.gov beginning in mid-January 2004.

### **Using a Personal Computer**

Taxpayers with a computer, a modem or Internet access and tax preparation software can e-file their tax returns from home any time, day or night. To do so, a taxpayer sends a completed, electronic tax return to a transmitter. The transmitter converts the file to an IRS-approved format and then sends the converted return file to the IRS. Within 48 hours, the IRS notifies the taxpayer through the transmitter whether or not the return is accepted.

- In 2003, 11.9 million taxpayers e-filed their returns from home, 27 percent more than the year before.

### **Using an Authorized Provider**

Computer filing through an authorized provider has been the core of e-filing since its debut in 1986. Using this method, tax professionals send clients' returns electronically to the IRS. Some prepare their clients' returns and send them, others take returns prepared by their clients, enter the data, then e-file it with the IRS.

- Authorized providers filed 37 million returns in 2003, up 11 percent from the previous year.

### **E-Filing By Phone**

For those who are eligible, TeleFile, the IRS file-by-phone system, is the easiest way to file a return.

- In 2003, 4 million people used TeleFile instead of filling out Form 1040EZ.

Potentially eligible TeleFile users get a special tax package from the IRS that invites them to file their taxes quickly and easily by phone. Instead of tax forms, the package has a worksheet that, when completed, becomes the taxpayer's TeleFile Tax Record. This record includes a Customer Service Number that serves as an electronic signature.

The package also contains a checklist the taxpayer uses to ensure eligibility. Then, all the taxpayer does is fill out the worksheet, call the toll-free number and follow the step-by-step instructions.

Telefilers can take advantage of Direct Deposit for a refund, or authorize an electronic funds withdrawal to pay taxes, by entering their checking or savings account number. Refunds arrive in half the time it takes for a paper return. For an electronic funds

withdrawal, the taxpayer decides when the money is taken from their account, so they can file their return early and pay later by the April 15, 2003, deadline.

### **Extension of Time to File by Phone**

Anyone who filed a tax return last year can use the phone to request an automatic extension of time — to August 16, 2004 — to file his or her tax return. This system will operate from February 13 to April 15, at 1-888-796-1074. Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, has details on required information and explains how to pay a balance by phone.

Telephone filers get a confirmation number at the conclusion of their call, telling them that their return or extension request has been accepted.

### **Federal/State TeleFile:**

Taxpayers in seven states can e-file both their federal and state returns with a single phone call to the IRS TeleFile number. Missouri is new this year, joining Georgia, Indiana, Kentucky, Oklahoma, West Virginia and Maryland. Only taxpayers who receive both federal and state TeleFile packages can use the combined TeleFile system.

- In 2003, 345,422, taxpayers filed their state and federal tax returns with a single phone call, up 16 percent over the prior year.

## **Electronic Signatures — Personal Identification Numbers (PINs)**

For the 2004 Filing Season, taxpayers will be able to select one of the following options for signing their e-filed return:

### **Self-Select PIN**

The Self-Select Personal Identification Number (PIN) allows taxpayers to electronically sign their e-filed return by entering a five-digit PIN. The five-digit PIN can be any five numbers except all zeros. Receipt of the taxpayer's PIN eliminates the requirement for Form 8453. The Self-Select PIN method requires the entry of each taxpayer's Date of Birth and Prior Year original Adjusted Gross Income, which are used to authenticate the taxpayer.

Paperless filing is available to those who prepare their own returns using tax preparation software or those who use a tax professional. On a joint return, two PINs are required, acting as electronic signatures for both people.

The Self-Select PIN Program began in 2001, but by 2003, self-select PINs were used to e-file 11 million returns, up 12 percent over the prior year.

### **Practitioner PIN**

The Practitioner PIN is an additional electronic signature option for taxpayers who use an electronic return preparer. Those using a tax professional can sign their return electronically by completing an e-file signature worksheet. The worksheet authorizes an electronic return preparer to enter a taxpayer's PIN as a signature.

- 24.2 million taxpayers e-filed through a paid preparer and used a self-select PIN or a practitioner PIN in 2003, up 41 percent over the prior year.

The "Electronic Services" section of the IRS Web site — [www.irs.gov](http://www.irs.gov) — has more information about IRS e-file, free Internet filing, the self-select PIN, the practitioner PIN and private sector partnerships.

### **Direct Deposit**

One electronic transaction that is available to both e-filers and those filing a traditional paper tax return is direct deposit. About 44 percent of all refunds were directly deposited in 2003, representing half of all refund dollars.

Choosing direct deposit is easy; paper return filers just enter their account number and routing number in the boxes provided on Form 1040, 1040A or 1040EZ. (There is an illustration explaining how to choose direct deposit in the tax return instructions.) Those who choose direct deposit will get their refunds a week quicker than those who receive a paper check. Also, a refund that is directly deposited in a savings or checking account cannot be stolen or lost in the mail.

During 2003, 44,422,000 refunds were directly deposited, up from 39,774,000 during 2002, an increase of almost 12 percent. The average direct deposit refund in 2003 was \$2,362. In 2003, \$104.9 billion was deposited electronically, up 12.2 percent over the prior year.